

Message Text

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TO AMEMBASSY COLOMBO IMMEDIATE

C O N F I D E N T I A L STATE 120657

E.O. 11652: GDS

TAGS: PFOR, EAID, CE, US

SUBJECT: PROSPECTIVE MEETING WITH PRIME MINISTER:

PL 480 RUPEES

REF: COLOMBO 1644, 1630

1. WE APPRECIATE USEFUL SUMMARY OF BACKGROUND ON BANK TRANSFERS PROBLEMS CONTAINED COLOMBO 1644 WHICH IS OF GREAT HELP. WE WILL TRANSMIT USG POSITION ON THIS ISSUE AS SOON AS RESEARCH HERE IS COMPLETED. IF WE COME TO CONCLUSION WE HAVE MADE MISTAKE IN TRANSFER OF FUNDS TO NATIONAL GRINDLEYS WE WILL PROMPTLY CORRECT IT, BUT WE SUSPECT SORTING OUT OF COMPLEX HISTORY OF THIS PROBLEM WILL TAKE TIME AND SOME DISCUSSION ON LEGAL AND TECHNICAL ISSUES WITH GSL. IN ANY CASE WE ENDORSE YOUR PROPOSAL FOR EARLY MEETING WITH PRIME MINISTER TO DISCUSS FINANCE MINISTER'S MAY DAY CHARGES. IN TALKING WITH HER WE SUGGEST YOU FOCUS ON POLITICAL ASPECT OF PROBLEM AS SEPARATE FROM
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TECHNICAL ISSUE OF WHERE USG SHOULD MAINTAIN ITS BANK

ACCOUNTS. YOU CAN REASSURE HER THAT WE ARE PREPARED TO DISCUSS THIS TECHNICAL QUESTION WITH GSL AND THAT WE NATURALLY WILL ABIDE BY ANY PAST OR PRESENT AGREEMENTS.

2. FOLLOWING ARE POINTS WE SUGGEST YOU MAKE:

A. US PLACES HIGH VALUE ON GOOD RELATIONS WITH SRI LANKA AND IMPROVEMENT FROM SOMEWHAT TENSE RELATIONSHIP IN 1970 HAS BEEN SOURCE OF SATISFACTION TO USG OFFICIALS.

B. PRIME MINISTER WILL RECALL THAT CESSATION OF UNWARRANTED AND UNFOUNDED ATTACKS ON US BY GSL MINISTERS IN 1970 MADE IMPORTANT CONTRIBUTION TO PRESENT SATISFACTORY STATE OF RELATIONS.

C. WE WERE PLEASED THAT T. B. ILLANGARATNE'S IRRESPONSIBLE ALLEGATIONS IN MARCH OF CIA INVOLVEMENT IN CEYLONese AFFAIRS WERE WITHDRAWN AND WE HAD HOPED HIS REMARKS WERE A TEMPORARY RELAPSE NOT A NEW PATTERN.

D. HOWEVER, PERERA'S UNFOUNDED CHARGES ON MAY DAY REGARDING ALLEGED IMPROPER USG USE OF FUNDS IN SRI LANKA TO SUPPORT OPPOSITION PARTIES RAISES PROBLEM ONCE MORE. IN DEALING WITH THIS SUBJECT WE WISH TO DRAW DISTINCTION BETWEEN TECHNICAL/LEGAL ISSUE OF WHERE USG FUNDS SHOULD BE DEPOSITED IN SRI LANKA FROM LARGER POLITICAL ISSUE OF ALLEGATIONS REGARDING US INTERFERENCE IN INTERNAL CEYLONese AFFAIRS. ON FORMER ISSUE, WE ARE PREPARED TO REVIEW WITH GSL WHETHER PRIOR UNDERSTANDINGS REQUIRE CERTAIN USG RUPEE DEPOSITS TO BE KEPT IN CENTRAL BANK. UNDERSTANDINGS CITED BY MR. COOREY ON THIS QUESTION ARE 9 YEARS OLD. WE CURRENTLY ARE DOING NECESSARY RESEARCH ON BACKGROUND OF THIS ISSUE AND WILL BE READY TO DISCUSS THE PROBLEM SHORTLY WITH THE GSL. IF ANY MISTAKE WAS MADE WE WILL CORRECT IT.

E. AS WE HAVE ALREADY ADVISED GSL WE TAKE SERIOUS EXCEPTION TO PERERA'S HANDLING OF THIS ISSUE. HE USED INNOCENT BANKING TRANSFER, WHICH WE IN GOOD FAITH ASSUMED WAS PROPER AND OF WHICH CENTRAL BANK WAS AWARE, TO CONFIDENTIAL

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IMPUGN US MOTIVES IN SRI LANKA AND TO MAKE SERIOUS CHARGE OF US MEDDLING IN SRI LANKA'S INTERNAL POLITICS.

F. WE CONSIDER UNFOUNDED CHARGES BY CABINET MINISTER TO BE TOTALLY OUT OF KEEPING WITH GOOD RELATIONSHIP WHICH HAS DEVELOPED BETWEEN THE US AND SRI LANKA IN RECENT YEARS AND WE BELIEVE IT IS RESPONSIBILITY OF GSL TO SET RECORD STRAIGHT ON PERERA'S CHARGES IN ORDER TO REMOVE

ANY SUSPICION THAT USG IS INTERFERING IN SRI LANKA'S
INTERNAL AFFAIRS. IN THIS REGARD WE ARE DISAPPOINTED
THAT TO DATE GSL HAS NOT ACTED TO RESOLVE PROBLEM CREATED
BY PERERA'S CHARGE. INGERSOLL

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